

PROPOSED INTERNAL AUDIT DEPARTMENT CHARTER

MISSION AND SCOPE OF WORK

The mission of the internal audit department is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The scope of work of the internal audit department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- The agency's control processes are adequate and functioning as intended.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving management control, profitability, and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

ACCOUNTABILITY

The audit director, in the discharge of his/her duties, shall be accountable to the Information Technology Investment Board (ITIB) Finance and Audit Committee, and report on a daily basis to the Chief Information Officer of the Commonwealth (CIO). Both the CIO and the ITIB Finance and Audit Committee will be involved in personnel decisions concerning the audit director. Audit director duties include the following:

- Execute the annual audit workplan.
- Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources to accomplish the workplan.
- Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks.

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- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit.)
- Arrange for an independent, full-scope quality assurance review of the internal audit department's program and operations at least once every five years.
- Annually review overall VITA operations and governance.
- Perform audits as requested by the Finance and Audit Committee.
- Assist the Finance and Audit Committee with fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the VITA process for monitoring compliance with laws and regulations and the code of conduct.

INDEPENDENCE

The internal audit department can be independent only when the department can work freely and objectively. Independence, in fact and in appearance, permits the internal auditor to render the impartial and unbiased judgments essential to the proper conduct of any internal audit.

To provide for the independence of the internal auditing department, its personnel report to the audit director, who reports to the CIO and ITIB in a manner outlined in the above section on Accountability. It will include as part of its reports to the CIO a regular report on internal audit personnel.

The audit director shall be informed immediately of all instances where a member of the department believes that independence, in fact or in appearance, has been impaired.

RESPONSIBILITY

The audit director and staff of the internal audit department have responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the ITIB Finance and Audit Committee for review and approval as well as periodic updates. The work plan should indicate the projected allocation of hours to each audit area, as well as to areas such as administrative, vacation, continuing education, etc. Because issues will arise during the normal course of business, the annual plan shall include time for management requests and special projects, and proactive requests for assistance will be encouraged.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the CIO.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.

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- Evaluate and assess significant merging/consolidating functions and new or changing services processes, operations, and control processes coincident with their development, implementation, and/or expansion, to ensure that adequate controls are incorporated in the system, a thorough testing of the system is performed at appropriate stages, system documentation is complete and accurate, and the intended purpose and objective of the system implementation or modification has been met. The audit director shall ensure that the level of participation in these projects does not affect the department's responsibility for evaluating these processes or systems during future audits nor compromise its independence when performing such audits.
- Issue periodic reports to the CIO and the ITIB Finance and Audit Committee, summarizing results of audit activities.
- Enter all audit recommendations into an audit tracking system that will monitor the response by management to the recommendations, and address audit recommendations made by the Auditor of Public Accounts, any other external auditors, and VITA's internal audit department.
 - On a quarterly basis, management will report to the internal audit department on the status of each recommendation.
 - Annually, the last quarterly report from the audit tracking system will be presented to the ITIB Finance and Audit Committee. Should management not agree with a recommendation, it will nevertheless be entered into the audit tracking system. The Finance and Audit Committee will then hear the recommendation, and then either direct management to respond to the comment or direct the audit director to delete the comment from the audit tracking system.
 - Once management represents that a recommendation has been implemented, it will remain in the quarterly reports until the audit director specifically releases the comment through another audit report or some other acceptable means.
- Keep the CIO informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the CIO.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify the CIO of the results.
- Review periodically with general counsel legal and regulatory matters that may have a material impact on the entity's financial statements, compliance policies and programs.
- Coordinate the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Provide reports and information to, and as requested by, the Finance and Audit Committee of the Information Technology Investment Board.

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AUTHORITY

The audit director and staff of the internal audit department are authorized to:

- Have unrestricted access to all functions, records, property, and personnel. The CIO has endorsed this right and has resolved that the scope of internal audit activities not be restricted by actions of management.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The audit director and staff of the internal audit department are not authorized to:

- Perform any operational duties for the organization or its affiliates.
- Initiate or approve accounting transactions external to the internal auditing department.
- Direct the activities of any organization employee not employed by the internal auditing department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

STANDARDS OF AUDIT PRACTICE

The internal audit department will meet or exceed the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.